

Advantages and Disadvantages of Cash EBT¹

Advantages	Disadvantages
<i>Fees and budgeting</i>	
May reduce cost for some recipients currently using check-cashing services to get their cash benefits. Recipients will have four cash withdrawal transactions ² per month without a transaction fee ³ . These transactions will be free at certain automated teller machines (ATMs) or point-of-sale (POS) machines.	May increase cost for some recipients to access their benefits if they do not use designated free locations. After the first four cash withdrawals, recipients will have to pay a transaction fee to the EBT Contractor for subsequent ATM transactions, and may also have to pay a surcharge ⁴ to the ATM or POS owner.
Recipients can make cash withdrawals at participating ATMs.	Recipients may have to pay a surcharge to use ATMs (plus they must pay a transaction fee to the EBT Contractor after the first four cash withdrawals per month).
Allows a recipient to make incremental withdrawals against their monthly benefits amount.	
Allows a recipient to make purchases, purchases with cash back, purchase money orders, and pay some bills directly with their EBT card. The EBT Contractor will never charge a transaction fee for purchases, and purchases do not count as part of the first four cash withdrawals per month.	May be charged a surcharge by the store owner to use the EBT card to make purchases, but only if the business also charges other debit card users such a surcharge.
Benefits remain available online for 90 days even if the benefits are never used (compared to a warrant which is void after 60 days).	If an account has no activity for 90 days, the client will have to contact the welfare office to reactivate the benefit account.
Recipients may be able to withdraw all of their funds in one transaction (participating locations not yet determined).	Recipients may have to pay a surcharge to withdraw all of their benefits at one time (based on the policy of participating locations).

¹ Acknowledgement is given to Consumers Union for compiling a list of advantages and disadvantages of cash EBT. The California EBT Project revised that list, made some editorial changes, and added additional information. Consumers Union's original list can be accessed on its website: <http://www.consumersunion.org/finance/i-benefits.htm>.

² A "cash withdrawal transaction" refers to a transaction where only cash is obtained; it does not include purchase or purchase-with-cash-back transactions.

³ A "transaction fee" is a fee to cover the cost of moving the transaction over the commercial financial network. The transaction fee is paid by the government for the first four cash withdrawal transactions.

⁴ A "surcharge" is a service fee imposed by the ATM owner or POS operator for the convenience of using their device for cash or purchase.

Advantages	Disadvantages
Balances can be checked by phone at no charge; POS transaction receipts will print the remaining balance.	Balance inquiries conducted at an ATM will cost the recipient a fee of \$0.25. Not all ATM machines will be capable of printing the remaining balance on the receipt.
Increases familiarity with the technology of the commercial banking system	
A two-month account statement will be provided upon request for free, which may help clients track spending and manage money.	
Safety	
Benefits on a lost or stolen card cannot be accessed by anyone who does not know or guess the personal identification number (PIN), unlike lost or stolen cash. A lost or stolen EBT card can be replaced, whereas lost cash cannot be replaced.	Benefits accessed using a lost or stolen card and the correct PIN before the card is reported lost will not be replaced. The recipient must report the card lost or stolen to a toll-free number as soon as possible to deactivate the card and protect the benefits.
A lost or stolen EBT card can be replaced more quickly and easily than a lost warrant.	
Increases safety because recipients will not have to carry large sums of cash. Purchases can be made using the EBT card, money orders can be purchased using the EBT card, and some direct bill payment may be available.	See comments above under Fees and Budgeting.
Benefits are reliably available at the same time each month, unlike a warrant, which may be late or lost in the mail.	
Other	
Counties are expected to consult with advocates as they work with the EBT Contractor and the state to evaluate cash access plans and recommend enhancements to the plan.	Specific cash access locations in a county will not be known until after the county has already decided to use EBT for cash benefits.
Three-day staggering for CalWORKs recipients in Los Angeles County, rather than the current ten-day staggering.	Unless a county obtains a waiver from the state, three-day staggering for cash benefits even in counties that do not stagger now.
Compatible with county direct deposit systems, allowing recipients who would rather maintain a bank account to choose direct deposit instead of EBT.	May create obstacles and reduce financial independence of some disabled, elderly, and homebound recipients.
	Creates privacy concerns because the government can identify where recipients are accessing their benefits.